FIRST MEMBER'S NOTE ON THE QUESTION OF THE MYSORE AGENCY IN LONDON.

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Dated 9th April 1920.

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One of the subjects included in the work of my deputation to England was - SETTLING A GENERAL CONSULTING AGENCY IN LONDON. To this, was added another, namely, arrangements in regard to the marketing of sandalwood oil in Europe and America. (Vide Government Order dated the 16th January 1919).

On the 25th September last, I sent to the Chief Secretary a letter on the subject of the general agency contract proposed to be given to messrs: Jeremiah Lyons and Co., enclosing notes of discussion with the senior partner thereof, Mr.Henry Lyon. (Copies are enclosed.) From the estimate of probable requirements of Europe articles for three years, it was found that at least 30 lakhs of rupees worth of goods are likely to be imported per annum from Europe. This does not include of course, materials required for Iron Works, Electrical or the Railway Department. The previous day, I wrote privately to the Chief Secretary to the following effect:-

"The Mysore agency has created some feeling in
"the Press. It was, as you know, not my selection.
"However, I am sending the papers to the Chief Se-
"cretary officially with a suggestion not to commit
"Government to any arrangement for a definite period
"by over-influential private friends say that it is
"better to have a Advisory Agent on good retaining or
"a lump fee and no commission basis".

Consequently, having considered the matter more carefully and also perused from the newspapers the details

of the Government of India scheme under the Reforms to do away with the Stores Department of the India Office and to appoint in London a High Commissioner for India, I threw out in a letter to the Dewan Secretary, of the 9th October, a suggestion to have an official representative of the Mysore Government in London. In a few other letters also, I discussed this question specially in connection with an offer from Hardle Engineering Co., suggesting a consulting fee of 4,000 pounds per annum and offering their services as consulting engineers.

Mr. Iraz in his letter dated the 1st October, replied to me on ~~this subject~~ this subject as follows:-

> "His Highness seems to like your idea of having an official representative of the Mysore Government in London and he will be obliged if you would kindly go deeply into the question and work out details for his consideration".

An extract from my letter to Mr. Iraz written about the 3rd week of December is given below:-

> "Our agents came and showed anxiety that their agreement was not signed. I explained that the question of a general Mysore official agency is on the tapis but that till then, they can act as agents and all will be settled after return. I have had no time to work up details of that scheme yet - but roughly my idea is to have a top man on sufficient pay as an administrative head, man of some experience who will command respect also here, and under him there shall be sections as follows:-

CHIEF MYSORE REPRESENTATIVE.

| Engineering Section in charge of an officer grade of Exec.Engineer and one Assistant. | Political Section, in charge of a Mysore Civil servant. | Commercial Section in ch: of an officer of Eco.Conf.ce. |
|---|---|---|

Under (1) all engineering problems and requirements will be dealt with. Under (2), all political, administrative and financial. Under (3) all industrial and commercial matters. The cost of this will be less than that of any agency on 2½ per cent commission basis. I will work up further details with detail comparative figures when I return. As there is much money that always passes as middle man's commission, it is essential to get together the most disinterested and highly scrupulous officers".

The present arrangements for dealing with Mysore business abroad are defective. ex There is an agency agreement with Messrs: Whiffens & Sons for the sale of sandalwood oil in London England, France and America. The manner in which Mysore Government interests are neglected by this firm of agents will be clear from a perusal of my confidential note on the sandalwood oil business in London, based on my recent enquiries in England in the matter. I have written several letters to the Secretary, C.S.I., as well as to the Huzur Secretary on the subject from time to time, from which, it will be evident that it is absolutely necessary for a representative of the Mysore Government to constantly watch our interests in regard to this large industry and that a commission agent cannot be trusted to do the best for Mysore in this respect. The direct interference owing to the exigencies of the market as well as possibilities of serious loss at critical moments, has resulted in increased revenue in at least two important directions and has also resulted in considerable savings on account of commission payable to the agency firm. The agents have earned a commission of nearly 10,000 pounds already, a remuneration in respect of which, the Mysore Govt: have not received adequate services. The act of of obtaining supplies from Europe which is attempted to be systematised by the appointment of a general agency firm in London to deal with all indents, has also till now been most un-

unsatisfactory. Few of Departments have yet given the latitude of corresponding with manufacturing firms direct and obtaining quotations and of preparing estimates based on those quotations which the Departments have sanctioned with or without further scrutiny. These estimates have again to be submitted to Government in the course of which, the amounts set in the estimates have to be reconciled consider-ably with the actual invoices. These features are common both to the indents from the Public Works Department and the Railways, from the Electrical, Industries and Commerce Stores and Stationery, Medical, Educational and other Departments. It is to be inferred that the selection of suitable articles of the best value and for the most advantageous prices is jeopardized by the method now in vogue. Any one conversant with trade practices in London will know that the export business so long as it passes through official channels of this description is not always a sound one and there are chances of considerable loss owing to excess expenditure which the State has to pay for its requirements. In the Engineering trade especially, competition is a well known factor and having regard to the very large sums that are allotted in every year's budget for importing goods of all descriptions from Europe and America, it has become absolutely necessary to consider whether, following the Government of India Reform proposals it is not urgently necessary to establish an official agency in London headed by a Commissioner for the Mysore Government. In the Railway Department at present, there is an understanding to pay 2½ per cent commission to the Southern Maratta Railway Co., for the purchase of all materials, workshop plant, engines, rolling stock, etc; and on the probable estimate of requirements per annum during the past three years, it is safe to assert that at least 5 to 6 lakhs of rupees would be spent in this direction. Under the Iron Scheme tramway materials up to about 2 to 3 lakhs per annum will be required during the next three years.

Taking roughly the expenditure already being incurred

by way of commission payable to Griffins, Peroital Lyons and Co., Southern Maratha Railway, etc., and the enhanced nature of the quotations that are now submitted to Government by officers corresponding direct with manufacturing firms, such as General Elk Electric Company, etc., I may safely assert that the total expenditure to which the Mysore Government are now committed under existing arrangements for the interface services of their agents and brokers scattered all over the very well come to about ~~£ 9,000~~ 7,500 pounds per annum. To this is to be added the additional disadvantages due to proper handling of Mysore funds in London in respect of which alone the State at present appears to lose or gain about 27 lakhs of rupees. The fixing up of prices for the sale of sandalwood also gives the State additional revenue which it is now not fetching being out of touch with the current conditions in the London market. My estimate of the advantages to be derived by the establishment of a Mysore Commissionership in London, to put it at a moderate figure, is about £ 10,000 a year. And it is possible that at one stroke in a single transaction, the Mysore Government may save several lakhs of rupees loss or may gain several lakhs of rupees in additional revenue.

On my return from Mahabaleshwar where His Highness was pleased to grant me an interview, I represented these matters to His Highness in person and I received instructions to submit forthwith a scheme of this nature for His Highness' consideration. At the present juncture, it is not an exaggeration to say that supposing such an agency existed in London, we should have been relieved of a considerable anxiety in regard to the serious financial position in which we were placed owing to the depreciation of the sterling credit. This is a matter which I repeatedly brought to notice from London in several communications to Government and in which I took a personal responsibility of direct action with theLondon Bankers of the Government,

egers: Courts & Co. Through my action, I can easily calculate that at one stroke of the pen, I was able to secure an extra revenue of nearly £4,000 per annum on interest alone- and had my original recommendations been approved, when I first gave them to the Financial Secretary, they would have brought 3 or 4 thousand pounds more. Further, the bankers then elsewhere, on pressure being brought on them raised their ordinary interest on the daily balance by one-fourth per cent, the day before I left London. These circumstances go to show that events are cropping every now and then, requiring the interference of an officer of high status invested with sufficient authority to deal with big financial problems. At the present moment there is a very large accumulated sterling credit in favour of the Mysore Government lying idle in London, in respect of which, the net loss that has accrued to the finances of Mysore may be estimated at over 25 lakhs. With a view to minimize this loss, it is suggested that that credit may be utilized for the purchase of either gold sovereigns or bullion to be imported into India and sold at our risk in the open market and the Government of India have permitted us to import bullion and a communication has been made requesting permission to import sovereigns. In regard to this transaction alone, it is absolutely necessary to secure the expert advice of financiers in London, not through our bankers but through our own official representative so that the transaction that may ultimately be effected, will be free from all undue influences and may give the Mysore Govt: the utmost benefit that they expect to derive from the transfer. All these considerations more than justify the proposition that at least for several years to come, it is absolutely necessary that the Mysore Government should entrust all important foreign business whether it is commercial or financial or political, in the hands of a well-paid administrative officer of the highest status that we can select to look after their interests and carry out all

business under his direct control. There is also the double advantage of a far-reaching character that may be derived from such an arrangement, viz., that when such a Mysore Commission is established in London, to this may be attached young officers of high promise and administrative ability in the different sections thereof for necessary training and experience. Engineering officers of the grade of Executive Engineers may be put in charge of the Engineering section, Civil Service officers may be put in charge of the Political section and officers of the Economic Conference or the Industries and Commerce Department may be put in charge or attached to the commercial section. These may be selected for a period of three years at a time and the whole scheme of the deputation of Government officers for training abroad may be worked through this foreign commission abroad. I can safely say that by so doing, the expenses to Government may be considerably curtailed. This Commission may exercise adequate supervision over the officers deputed and the whole scheme of foreign scholarships may be better systematized.

There are several other minor matters which may also be elaborated in course of time as experience is gained. In regard to all commerce and foreign trade questions, it may be necessary to attach to this Commission, a firm of merchants belonging to Mysore, so that they may establish a House under the trade supervision of the official representative and thereby establish connections in foreign trade between Mysore and the outside world. The object should eventually be to transfer gradually all commercial dealings between Mysore and outside to Mysore commercial representatives in other trade centres of the world but it is not to be expected that at the present stage, men of sufficient capital or outside experience will be forthcoming to undertake this task. While, therefore, the scheme provides for the protection of Government political interests, ~~for~~ the

promotion of its financial interests and the prevention of serious losses in revenue and avoidance of considerable unnecessary expense by way of commission which it now pays in direct and several indirect ways. It also provides for the adequate training ground of young Indore officers in Indore where they may be utilized for work in the branches to which they are attached in the General Administration. It further gives the commercial community of Indore, an opportunity to go abroad and get into touch with trade conditions in Europe with a view to help Government to establish commercial connections between the State and the country and. In fact, the Indore official representative will be more of a Trade Commissioner in London and also perform all the functions of the High Commissioner for British India.

Having therefore the scheme from every point of view, still also into consideration the fact that no time is more opportune than the present for establishing such a Commission on the model of the scheme that has been sanctioned by the Government of India and the Indore Government for the Bank of British India, I formally urge that orders may be passed forthwith for the appointment of the Commission which will consist of the following officers:-

(1) Commissioner for Indore, under whom there will be three officers one for each of the three departments of the H. H., General Civil Service, and the Commerce or the Industries and Commerce. (2) One clerical or other staff need be appointed from here.

The total cost of the scheme may be roughly estimated as follows:-

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| Cost of the Commissioner & his staff. | Rs.50,000 |
| Cost of the Engineering section. | 10,000 |
| Cost of the Political section. | 15,000 |
| Cost of the Commercial section. | 15,000 |
| Contingencies, etc. | 5,000 |
| Total... | 1,00,000 |

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as arising this, or to set off [illegible] -

Payment of Commission to Chiefin - Do.
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The existing arrangements to cease.

and all other incidental charges now being incurred in various directions in lower Mysore.

I may safely assert that by spending a lakh of rupees a year, the State may ever easily hope to make at least 3 to 5 lakhs of rupees net, including additional revenue and savings. After Sir Alfred Chatterton's contract expires 2½ years hence, the charge of nearly Rs.6,000 per annum or about £ 7,200 per annum will also be a net saving under this head etc etc.

In the selection of the officer for the Chief Commissionership for Coorg, it is necessary to bear in mind the possibilities of all kinds of undue pressure that may be brought to bear on the arrangement itself by interested parties in Coorg. We must be above all such suspicion, he must have behind him the experience of public administration in all its branches to be qualified to command sufficient respect in the public life of Coorg and by virtue of his position. A case of this kind reference to political work in this connection but it may be left to the discretion of the Coorg Government to foresee the possibilities of this sort that the State may derive by such a connection at the seat of the Imperial Government that Mysore may be able to establish for itself in this manner.

I may mention incidentally that Sir A. Chatterton expressed his willingness to take up such a position if offered to him. I do not know if I should mention my own case but I can confidently say that should His Highness select me, I shall be willing to take up the work on present net pay (the State paying pensionary contribution now paid by me to British Income-tax). By so deputing me, the State will

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Also correct net economy in the pay of members of Council, for, the cost of any pay etc., is no extra cost being less than what the State now pays for Agency Commission and other items.

The following changes are suggested for the commission staff:- Officers every two years -

| ENGINEERING SECTION. | POLITICAL SECTION. | TOURIST AND COMMERCIAL SECTION. |
|---|---|---|
| ***** | ***** | ***** |
| Mr. Moore, or | Mr. Matthan, or | Mr. A. D'Souza. |
| Mr. Sitharamachary, or | Mr. Bhavanarao, or | Prof. Shaw. |
| Mr. Srinivasa Iyer. | Mr. Gannidhan. | Mr. Nagendra Rao Saheb. |

I request that orders may be passed early on these proposals so that consequential changes may be made in the commercial arrangements and other agency arrangements in the different departments of the State and all the details worked out to enable the scheme to commence its operations early next official year.

Copy of letter dated the 25th September 1919 to the address of the Chief Secretary, Bore Government.

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Dear Sir,

I have the honor to enclose for the information of the Govt: notes of the discussion between messrs: Jeremiah Lyon & Co., and myself on the proposed London Agency agreement with this firm, and to state as follows:-

Should the Govt: finally decide to give out the work to the firm a formal agreement may be prepared by the Govt: Solicitor and sent for signature in London in duplicate, the liability and certain clauses contained in the enclosed notes.

Before, however, concluding the contract, it would be desirable to take into consideration certain general aspects of the case. The State of course, reserves to itself the right of giving or not giving any particular business, and under such stipulation Railway, Public works and Electricity Departments may, as circumstances require, be excluded from the operations of the Agency. There is the view that any business or work to be transacted in London should not be on the commission basis but should be remunerated by a lump fee payable per annum, and that the Agency employed should be only advisory, leaving all the power of placing orders with manufacturers with the State.

Such a consulting and advisory Agency has perhaps suit the Bore Government better, but there is the difficulty to be faced in establishing such an Agency, that no particular firm or individual can be considered competent to advise on all technical matters. At all events, I put the question before Government for their formal decision.

There are many other competent and reliable Mexas Engineering firms in London who would be only too willing to establish and maintain a consulting Agency here for the Government, providing to put our several Departments in touch with the latest information on the best sources of supply in regard to the va-

various classes of needs that may be intended for. A payment of say £1,000 a year or even less may suffice as remuneration for such an agency. 2½ per cent commission of the total exports to Ypsore from London obtained through the services of a general agency firm will certainly amount to a much larger sum.

I hope informal enquiry: Jeremiah Lyon & Co., that the whole matter is now placed before Government and that, pending ratification or other instructions, they may continue to carry on any work that may be entrusted to them under the present arrangements. I personally do not think that the agency agreement need be fixed for any term and would recommend that, if ratified, it should be made revocable under the General Agency Law obtaining in this country.

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